



**School of Policy Studies**

**MPA 827 Financial Management in Canada's Public Sector**

**2011 Spring Session**

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## **Objectives of the Course**

This course focuses on the tools and understanding that public managers in all parts of the public sector require to ensure the successful use of resources to carry out good public policy.

The objective of the course is to give students a good understanding of the basic elements of public sector financial management. In achieving this, it will give students an understanding that financial considerations play in

- How the financial planning cycles of government and other public sector organizations affects policy decision-making
- How to understand and interpret financial information
  - Basic accounting principles
  - Financial statements
- The elements of sound financial management in public sector organization
  - Resource allocation
  - Effective budget management
  - Cash forecasting and management
  - Management control
- Elements of financial accountability both within public sector organization and outward to the public.
  - Reporting
  - Accountability
  - Internal and external oversight

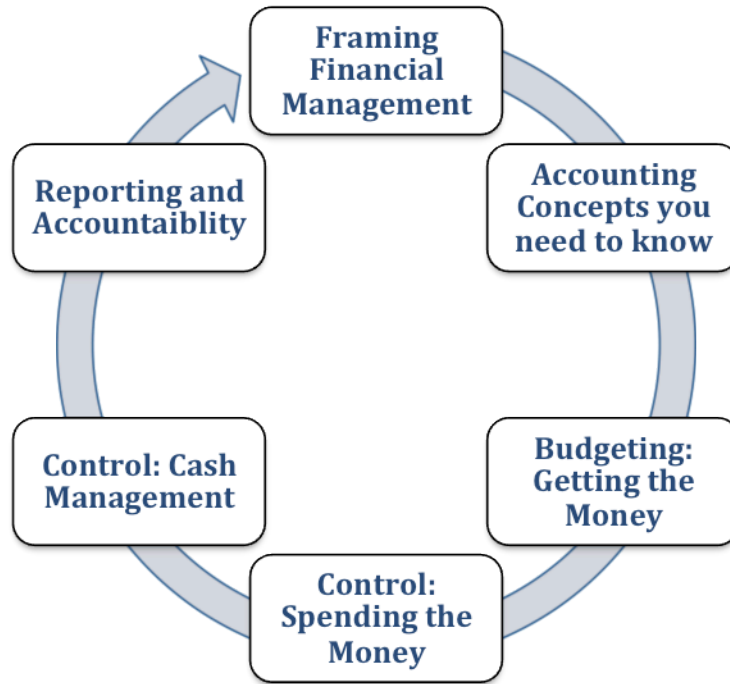
## **Are there any Prerequisites?: “Do I need to be good with numbers?”**

This course assumes little or no previous formal training in financial management or accounting. In addition, no work experience is needed. It is an introductory and survey course. Students will need to have or rapidly acquire some familiarity with Excel spreadsheets or their equivalent. However, this is at a basic level.

## **Readings**

Text: ***Canadian Public Sector Financial Management***, by Andrew Graham available through McGill-Queens press at <http://mqup.mcgill.ca/book.php?bookid=2079>, through the Campus Bookstore or amazon.ca

## Structure and Flow of the Course



<b>Topic Schedule</b>	
<b>Date</b>	<b>Topic</b>
April 28	Framework: Introduction
April 30	Framework: Accountability and Risk
May 16	Accounting Concepts
May 17	Understanding Financial Statements
May 18	Budgets: What They Do and How They Do It.
May 19	Planning and Budgeting Tools
May 20	Cutting the Budget: Reductions and Reallocations
June 6	Controlling the Budget
June 7	Cash Management
June 8	Cash Management
June 9	Reporting and Accountability
June 10	Audit and Oversight

**Assignment Due Dates**

**Please Note:** Assignments can be submitted in writing or electronically.

**Test 1: Due: May 10, 2011**

**Test 2: Due: May 30, 2011**

**Cash Management Exercise: Due: June 18, 2011**

**Late Assignments: Assignments that fail to meet these dates are subject to deduction. Material that is two weeks beyond the due date will not be considered. It is important that students communicate with the Instructor if circumstances beyond their control create deadline problems.**

<b>Evaluation</b>	
Tests on Technical Sections	Test 1 – 20 Test 2 – 20
Cash Management Exercise	50
Participation: Includes attendance, class work, overall engagement, challenging assumptions and seeking clarifications	10
	100

## **Unit 1: The Framework**

### **Session 1: Financial Management in the Public Sector Context**

**April 28, 2011, 1300-1600**

#### **Reading: Introduction, Chapter 1, Financial Management in the Public Sector**

- a. Objectives and structure of the Course
- b. Financial Management in the Public Sector Context
- c. Defining public sector finances
- d. The Relationship of the Budget to Economic Planning and Policy
- e. The Financial Management Framework: Getting the Money, Spending the Money and Accounting for What Your Did with It.

### **Session 2: Accountability and Risk: Key Concepts in Framing Financial Management**

**April 30, 2011, 0830-1130**

**Reading: Chapter 8, pp. 122-130**

**Chapter 10, pp. 160-164**

**Review the document: General Internal Control and Risk Management Framework on my website**

- a. "Government should run more like a business."
- b. Accountability continuum
- c. Nature of public sector accountabilities
- d. Defining accountability in the financial management context
- e. Risk as a determining variable in financial control, accountability and following the money.
  - a. What is it?
  - b. How does it work?

## **Unit 2: Accounting Concepts: Bean Counter's Corner**

### **Session 3: Accounting Concepts**

**May 16, 2011, 1300-1600**

**Reading: Chapter 2: Public Sector Accounting Principles/Accrual Budgeting and Accounting and Chapter 4, Accrual Budgeting and Accounting: The New Basis for Public Sector Financial Management**

- a. Defining accounting
- b. The role of financial information
- c. The users of financial information and reports
- d. Financial accounting and management accounting
- e. Financial reporting: public and private sector
- f. Accounting standards: GAAP
- g. Quality of accounting information
- h. GAAP: Creation of common definitions and means to assess financial statements and their meaning
- i. Application of GAAP to the public sector
- j. Understanding the cash and accrual basis for accounting
- k. Non-cash transactions

**A take-home assignment will be distributed and post on the website and on Moodle on April 28, 2010. Due date: May 10, 2010. Please note that electronic returns are preferred. Also, only one file, please.**

**Sessions 4: Understanding Financial Statements**

**May 17, 2011 1300-1600**

**Reading: Chapter 3: Reading Financial Statements**

- a. Accounting Cycle
- b. Double entry accounting
- c. The fundamental accounting equation
- d. Journal and ledger functions
- e. Key Definitions of terms: Assets, liabilities, equity, net assets
- f. Types of financial statements:

- i. Balance sheet/ Statement of financial position
  - ii. Income statement/ Statement of operations
  - iii. Changes in financial position
- g.** Management Discussion and Analysis
  - h.** Entity Definition
  - i.** Relationship of Financial Statements to external reporting and internal use.

## **Unit 3: Budgets: Getting the Money**

### **Session 5: Budgets: What They Do and How They Do It**

**May 18, 2011, 1300-1600**

#### **Reading: Chapter 5: Budgets and Budget Processes**

- a.** Budgeting in the policy and administrative context
- b.** Budgeting as a management process
- c.** Types of operating budgets: line, function, program, performance
- d.** Budgets by general purpose: Operating and capital budgets
- e.** Funds and funds structures
- f.** Off budget expenditures and funds
- g.** Trends in budgeting: budget reforms and changes: historical overview
- h. *The Budget Game: Winning Ways***

**Although not required reading, Appendix A to Chapter 3, Budget Games People Play is posted and recommended.**

### **Session 6: Planning and Budgeting**

**May 19, 2011, 1300-1600**

- a. Planning and budgeting cycles
- b. Revenue and workload forecasts in budgets
- c. Cost analysis and forecasting
- d. Costing tools
- e. Fixed and variables costs
- f. **Capital Budgeting:** Definition and scope of capital in budgeting
  - i. Capital assets, their valuation, depreciation and replacement costing
  - ii. Information Technology Assets – planning complex systems
  - iii. Funding Major Projects: sources of funds: methods of evaluation: use of cost-benefit analysis
- g. **The Role Of Business Cases:** what are they, how do they work, how to do them.

### **Reading: Chapter 6 and 7**

**Exercise:** Teams will review a series of business case proposals presented in the context of the budget planning documentation. They will be asked to do the following:

- a. Establish a process for reviewing business cases
- b. Develop criteria to apply in considering each submission
- c. Discuss the various proposals
- d. Propose a priority list of the cases with rationale
- e. Recommend modifications, changes and strategies for improving the business cases for future application

### **Session 7: Cutting Your Budget: Reductions and Reallocations May 20, 2011, 1300-1600**

- a. Budgeting in a period of deficits
- b. Budget review options and experience
  - a. Program Review
  - b. Strategic Reviews
- c. Reallocation within budgets
- d. Setting budget reduction priorities
- e. Shields, defenses, managing downsizing

**Exercise:** Group exercises in budget reduction strategies, reallocation management.

Evaluation: Take home assignment on Unit 2 and 3: Due May 30, 2010

## **Unit 4: Managerial Control and Controllershship**

**Session 8: Management Control: A Risk Based Approach**  
**June 6, 2011, 0830-1130**

**Reading: Chapter 8: Managerial Control**

- a. The concept of managerial control
- b. Management Control Frameworks
- c. Management Control Process
- d. Risk and risk management
- e. Control Procedures and Policies
- f. Materiality and due diligence
- g. Trust and ethics in control

## **Unit 5: Cash Management**

**Sessions 9 and 10: Cash Management**  
**June 7-8, 2011, 0830-1130**

These sessions will consist of lecture material and discussion.

**The Main Assignment:** Given the complex nature of the major assignment, it will be introduced in class and discussed. The assignment will be distributed in hard copy and posted along with any relevant Excel spreadsheets on May 26<sup>th</sup>. Further, although this is an individual assignment, the second half of the lecture period on May 27<sup>th</sup> will be devoted to teams working in collaboration to better understand the case and issues that are involved.

**Reading: Chapter 9: Real Time Control: In-Year Budget Management and Monitoring**

- a. Defining Budget Management
- b. Objectives of Effective Budget Management, Monitoring and Control

- c. In-Year versus Plan Management
- d. Forecasting on a Cash Basis: Cross Walking from Accrual Budgets
- e. Discontinuities between Budgets and the Ability to Plan
- f. Establishing a Budget Management System
- g. Preparing a Budget Plan
- h. Arriving at an Adjusted Budget
- i. Estimating Budget Performance for the Reporting Period
- j. The Basis of Forecasting
- k. Monitoring Financial Performance and Variance Analysis
- l. Governance
- m. Reallocation and Readjustment

## **In-class case management exercise**

**Cash Management Exercise will be distributed on June 6, 2011 Return date due: June 30, 2010**

### **Unit 6: Reporting and Accountability**

**Session 11: External Reporting and Accountability  
June 9, 2011, , 0830-1130**

**Reading: Chapter 10: Demonstrating Control: Accountability and Reporting**

- a. Objectives of financial and performance reporting
- b. Internal applications of accountability
- c. Public sector reports: annual reports, performance reports
- d. Social accounting and accountability
- e. Federal: Public Accounts, Reporting on Plans and Priorities, Performance Report

## **Session 12: Risk, Audit and Oversight in Managing Your Money**

**June 10, 2011, 0830-1130**

- a. Risk in determining what to inspect, oversee and audit
- b. Forms of oversight – internal and external
- c. Learning to love your auditors
- d. Answering, explaining, educating
- e. An exercise in determining risks and setting their level of potential impact on an organization, discussing what kind of control should be put in place.